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PP RUEHWEB

DE RUEHTG #0430/01 0652025
ZNR UUUUU ZZH
P 062025Z MAR 06
FM AMEMBASSY TEGUCIGALPA
TO RUEHC/SECSTATE WASHDC PRIORITY 1302
RUEHC/DEPT OF LABOR WASHDC PRIORITY
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE

UNCLAS TEGUCIGALPA 000430

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SUBJECT: Proposal for Strengthening Trade Unions' Effective
Role with CAFTA and Improving the Culture of Labor Law
Compliance in Honduras

Reftel: SECSTATE 26123

¶1. Summary: As per the referenced cable, Congress appropriated \$40 million (\$20 million in ESF and \$20 million in DA) in FY 2006 for trade capacity building in CAFTA-DR countries to be used in the areas of labor and the environment. This proposal is the first of three USAID/Honduras responses to the request for input and ideas for projects that meet the labor and environment trade capacity building priorities for Honduras. End Summary.

¶2. Justification: Trade unions are organizationally weak and politically influenced. These organizations have not evolved where they fully represent the interests of their members and nurture leadership from their local labor units. Instead, labor unions are often manipulated by political interests, and they are often unable to sit down at negotiations and have fruitful discussions. Their strikes are often non-constructive and frequently ineffective, and can be counterproductive to economic development and foreign investment. Many workers remain unaware of their rights and do not file complaints to labor law infringements. Consequently, workers are placed at a disadvantage by their lack of representation and information.

¶3. Description: This program will address the need to strengthen democratic processes within the unions and improve their organizational capacity, particularly at the local level, to seek out younger potential leaders and to train them in more representative, democratic practices. Strengthening trade unions' capacity to organize, negotiate, and democratically represent their members is an important element of trade capacity building strategies. This is required to improve the ability of local labor units to participate more effectively in the direction of their unions.

¶4. Local labor units will improve the awareness of their local unit members with labor laws and regulations as well as strengthen their leadership in strategizing and resolving issues. It will focus on encouraging trade union participation in economic policy-making and legislating, but most importantly, on developing strong leadership and organizational potentials at the local level. Through their labor unions, workers will be made aware of labor laws and regulations, but most importantly, of their obligations and responsibilities. Labor unions also need to provide mechanisms that give access and safe haven for workers to

file legitimate claims. Having the institutional capacity to expedite the process of adjudicating claims will be meaningless if workers lack the knowledge and viable means to file claims. Best practices by local labor units from other countries will also be shared to encourage innovation by Honduran labor participants.

Quick results will be achieved in the first year with improving the awareness of workers as well as making negotiations more constructive. Multiyear funding will be required to achieve sustainable changes with introducing democratic processes with local labor units that nurture leadership and create more participatory processes in the direction and decision-making of trade unions.

15. Advancing U.S. Policy Objectives: CAFTA implementation will be strengthened by professional, democratic trade unions that support equitable economic growth by participating as an effective partner in mature, constructive industrial relations. Augmenting the capacity of labor unions to participate more effectively in economic policy-making and business relations will make them more constructive partners rather than being manipulated by political interests seeking to counter CAFTA. Additionally, labor unions will need to play critical roles in handling violations and institutional weaknesses that will threaten Honduras' compliance with labor provisions in their trade agreements.

16. New or Related to Previous Work: This program will complement labor activities being implemented through the Department of Labor's Cumple y Gana project, the Continuous Improvement in the Central American Workplace (CIMCAW), the International Labor Organization, the Solidarity Center, and other regional programs. While other activities have focused on increasing workers' and managers' understanding of rights and responsibilities, efforts have not focused

sufficiently on bringing in labor unions as effective partners, particularly due to the unions' weak capacity and low internal resources. Social dialogue efforts have had limited impact since Honduran authorities continue to demonstrate ineffectiveness in protecting worker rights in the application of the labor law. Weak leadership skills and democratic practices further debilitate the labor unions to play a critical role in strengthening the transparency and viability of processes, such as filing complaints, so that workers have knowledge, access, and freedom from reprisals. Efforts also have not addressed weaknesses in local labor units which are essential to building more participatory processes as well as leadership within union structures; this is necessary to change traditional organizational practices that promote political patronage rather than democratic representation, leaving workers without the instruments that protect their interests when political will is absent. Additionally, regional activities have focused primarily on regional training, and in some cases, the provision of limited information technology.

17. Estimated Cost: \$2,250,000 (three-year program period)

18. Local Buy-In: Labor union representatives have been receptive to assistance and training to their membership, and representatives of employer's organizations have expressed the need for more efficient counterparts in labor-management negotiations. Objectives under this proposal follow interests established in the White Paper.

19. Public Diplomacy Strategies: Training to local labor units on national labor laws as well as their rights and responsibilities will help promote international labor standards and the national rule of law as it applies to labor. Improved dissemination and understanding of issues concerning compliance with labor and other provisions in trade agreements will also help counter propaganda and misinformation.

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